

MEDICAL CARE SAVINGS ACCOUNT TAX CREDIT

REPEAL

2016 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Jeremy A. Peterson

Senate Sponsor: _____

LONG TITLE

General Description:

This bill repeals the medical care savings account tax credit.

Highlighted Provisions:

This bill:

- repeals the medical care savings account tax credit; and
- makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides a special effective date.

Utah Code Sections Affected:

AMENDS:

[31A-32a-101](#), as last amended by Laws of Utah 2008, Chapter 389

[31A-32a-106](#), as last amended by Laws of Utah 2008, Chapter 389

[59-10-114](#), as last amended by Laws of Utah 2010, Chapter 6

[59-10-1002.2](#), as last amended by Laws of Utah 2011, Chapter 302

REPEALS:

[59-10-1021](#), as enacted by Laws of Utah 2008, Chapter 389

28 *Be it enacted by the Legislature of the state of Utah:*

29 Section 1. Section **31A-32a-101** is amended to read:

30 **31A-32a-101. Title.**

31 ~~[(1)]~~ This chapter is known as the "Medical Care Savings Account Act."

32 ~~[(2) (a) This chapter applies only to a medical care savings account established for the~~

33 ~~purpose of seeking a tax credit under Section [59-10-1021](#).]~~

34 ~~[(b) This chapter does not apply to a medical care savings account with respect to~~

35 ~~which a tax credit is not claimed under Section [59-10-1021](#).]~~

36 Section 2. Section **31A-32a-106** is amended to read:

37 **31A-32a-106. Regulation of account administrators -- Administration of addition**

38 **to adjusted gross income and tax credit -- Rulemaking authority.**

39 (1) The department shall regulate account administrators and may adopt rules

40 necessary to administer this chapter.

41 (2) The State Tax Commission may adopt rules necessary to monitor and implement

42 the~~[-(a)]~~ amounts required to be added to adjusted gross income in accordance with Sections

43 [31A-32a-105](#) and [59-10-114](#)~~[-or]~~.

44 ~~[(b) amount claimed as a tax credit in accordance with Section [59-10-1021](#).]~~

45 Section 3. Section **59-10-114** is amended to read:

46 **59-10-114. Additions to and subtractions from adjusted gross income of an**

47 **individual.**

48 (1) There shall be added to adjusted gross income of a resident or nonresident

49 individual:

50 (a) a lump sum distribution that the taxpayer does not include in adjusted gross income

51 on the taxpayer's federal individual income tax return for the taxable year;

52 (b) the amount of a child's income calculated under Subsection (4) that:

53 (i) a parent elects to report on the parent's federal individual income tax return for the

54 taxable year; and

55 (ii) the parent does not include in adjusted gross income on the parent's federal

56 individual income tax return for the taxable year;

57 (c) (i) a withdrawal from a medical care savings account and any penalty

imposed for
58 the taxable year if:

59 (A) the resident or nonresident individual does not deduct the amounts on
the resident
60 or nonresident individual's federal individual income tax return under Section
220, Internal
61 Revenue Code;
62 (B) the withdrawal is subject to Subsections [31A-32a-105](#)(1) and (2); and
63 (C) the withdrawal is:
64 (I) subtracted on a return the resident or nonresident individual files under
this chapter
65 for a taxable year beginning on or before December 31, 2007; or
66 (II) used as the basis for a resident or nonresident individual to claim a tax
credit under
67 Section [59-10-1021](#) for a taxable year ending on or before December 31, 2016;
68 (ii) a disbursement required to be added to adjusted gross income in
accordance with
69 Subsection [31A-32a-105](#)(3); or
70 (iii) an amount required to be added to adjusted gross income in accordance
with
71 Subsection [31A-32a-105](#)(5)(c);
72 (d) the amount withdrawn under Title 53B, Chapter 8a, Utah Educational
Savings Plan,
73 from the account of a resident or nonresident individual who is an account
owner as defined in
74 Section [53B-8a-102](#), for the taxable year for which the amount is withdrawn, if
that amount
75 withdrawn from the account of the resident or nonresident individual who is the
account
76 owner:
77 (i) is not expended for:
78 (A) higher education costs as defined in Section [53B-8a-102](#); or
79 (B) a payment or distribution that qualifies as an exception to the additional
tax for
80 distributions not used for educational expenses provided in Sections 529(c) and
530(d),
81 Internal Revenue Code; and
82 (ii) is:
83 (A) subtracted by the resident or nonresident individual:
84 (I) who is the account owner; and
85 (II) on the resident or nonresident individual's return filed under this chapter
for a

86 taxable year beginning on or before December 31, 2007; or
87 (B) used as the basis for the resident or nonresident individual who is the
account
88 owner to claim a tax credit under Section [59-10-1017](#);
89 (e) except as provided in Subsection (5), for bonds, notes, and other
evidences of

90 indebtedness acquired on or after January 1, 2003, the interest from bonds,
notes, and other
91 evidences of indebtedness issued by one or more of the following entities:
92 (i) a state other than this state;
93 (ii) the District of Columbia;
94 (iii) a political subdivision of a state other than this state; or
95 (iv) an agency or instrumentality of an entity described in Subsections (1)(e)
(i) through
96 (iii);
97 (f) subject to Subsection (2)(c), any distribution received by a resident
beneficiary of a
98 resident trust of income that was taxed at the trust level for federal tax purposes,
but was
99 subtracted from state taxable income of the trust pursuant to Subsection [59-10-
202](#)(2)(b);
100 (g) any distribution received by a resident beneficiary of a nonresident trust
of
101 undistributed distributable net income realized by the trust on or after January
1, 2004, if that
102 undistributed distributable net income was taxed at the trust level for federal
tax purposes, but
103 was not taxed at the trust level by any state, with undistributed distributable net
income
104 considered to be distributed from the most recently accumulated undistributed
distributable net
105 income; and
106 (h) any adoption expense:
107 (i) for which a resident or nonresident individual receives reimbursement
from another
108 person; and
109 (ii) to the extent to which the resident or nonresident individual subtracts
that adoption
110 expense:
111 (A) on a return filed under this chapter for a taxable year beginning on or
before
112 December 31, 2007; or

113 (B) from federal taxable income on a federal individual income tax return.
114 (2) There shall be subtracted from adjusted gross income of a resident or
nonresident
115 individual:
116 (a) the difference between:
117 (i) the interest or a dividend on an obligation or security of the United States
or an
118 authority, commission, instrumentality, or possession of the United States, to
the extent that
119 interest or dividend is:
120 (A) included in adjusted gross income for federal income tax purposes for
the taxable

121 year; and
122 (B) exempt from state income taxes under the laws of the United States;
and
123 (ii) any interest on indebtedness incurred or continued to purchase or carry
the
124 obligation or security described in Subsection (2)(a)(i);
125 (b) for taxable years beginning on or after January 1, 2000, if the conditions
of
126 Subsection (3)(a) are met, the amount of income derived by a Ute tribal
member:
127 (i) during a time period that the Ute tribal member resides on homesteaded
land
128 diminished from the Uintah and Ouray Reservation; and
129 (ii) from a source within the Uintah and Ouray Reservation;
130 (c) an amount received by a resident or nonresident individual or
distribution received
131 by a resident or nonresident beneficiary of a resident trust:
132 (i) if that amount or distribution constitutes a refund of taxes imposed by:
133 (A) a state; or
134 (B) the District of Columbia; and
135 (ii) to the extent that amount or distribution is included in adjusted gross
income for
136 that taxable year on the federal individual income tax return of the resident or
nonresident
137 individual or resident or nonresident beneficiary of a resident trust;
138 (d) the amount of a railroad retirement benefit:
139 (i) paid:
140 (A) in accordance with The Railroad Retirement Act of 1974, 45 U.S.C. Sec.
231 et
141 seq.;

142 (B) to a resident or nonresident individual; and
143 (C) for the taxable year; and
144 (ii) to the extent that railroad retirement benefit is included in adjusted gross
income on
145 that resident or nonresident individual's federal individual income tax return for
that taxable
146 year; and
147 (e) an amount:
148 (i) received by an enrolled member of an American Indian tribe; and
149 (ii) to the extent that the state is not authorized or permitted to impose a tax
under this
150 part on that amount in accordance with:
151 (A) federal law;

152 (B) a treaty; or
153 (C) a final decision issued by a court of competent jurisdiction.
154 (3) (a) A subtraction for an amount described in Subsection (2)(b) is allowed
only if:
155 (i) the taxpayer is a Ute tribal member; and
156 (ii) the governor and the Ute tribe execute and maintain an agreement
meeting the
157 requirements of this Subsection (3).
158 (b) The agreement described in Subsection (3)(a):
159 (i) may not:
160 (A) authorize the state to impose a tax in addition to a tax imposed under
this chapter;
161 (B) provide a subtraction under this section greater than or different from
the
162 subtraction described in Subsection (2)(b); or
163 (C) affect the power of the state to establish rates of taxation; and
164 (ii) shall:
165 (A) provide for the implementation of the subtraction described in
Subsection (2)(b);
166 (B) be in writing;
167 (C) be signed by:
168 (I) the governor; and
169 (II) the chair of the Business Committee of the Ute tribe;
170 (D) be conditioned on obtaining any approval required by federal law; and
171 (E) state the effective date of the agreement.
172 (c) (i) The governor shall report to the commission by no later than February
1 of each
173 year regarding whether or not an agreement meeting the requirements of this
Subsection (3) is

174 in effect.

175 (ii) If an agreement meeting the requirements of this Subsection (3) is
terminated, the

176 subtraction permitted under Subsection (2)(b) is not allowed for taxable years
beginning on or

177 after the January 1 following the termination of the agreement.

178 (d) For purposes of Subsection (2)(b) and in accordance with Title 63G,
Chapter 3,

179 Utah Administrative Rulemaking Act, the commission may make rules:

180 (i) for determining whether income is derived from a source within the
Uintah and

181 Ouray Reservation; and

182 (ii) that are substantially similar to how adjusted gross income derived from
Utah

183 sources is determined under Section [59-10-117](#).

184 (4) (a) For purposes of this Subsection (4), "Form 8814" means:

185 (i) the federal individual income tax Form 8814, Parents' Election To Report
Child's

186 Interest and Dividends; or

187 (ii) (A) a form designated by the commission in accordance with Subsection

188 (4)(a)(ii)(B) as being substantially similar to 2000 Form 8814 if for purposes of
federal

189 individual income taxes the information contained on 2000 Form 8814 is
reported on a form

190 other than Form 8814; and

191 (B) for purposes of Subsection (4)(a)(ii)(A) and in accordance with Title
63G, Chapter

192 3, Utah Administrative Rulemaking Act, the commission may make rules
designating a form as

193 being substantially similar to 2000 Form 8814 if for purposes of federal
individual income

194 taxes the information contained on 2000 Form 8814 is reported on a form other
than Form

195 8814.

196 (b) The amount of a child's income added to adjusted gross income under
Subsection

197 (1)(b) is equal to the difference between:

198 (i) the lesser of:

199 (A) the base amount specified on Form 8814; and

200 (B) the sum of the following reported on Form 8814:

201 (I) the child's taxable interest;

202 (II) the child's ordinary dividends; and

203 (III) the child's capital gain distributions; and
204 (ii) the amount not taxed that is specified on Form 8814.
205 (5) Notwithstanding Subsection (1)(e), interest from bonds, notes, and other
evidences
206 of indebtedness issued by an entity described in Subsections (1)(e)(i) through
(iv) may not be
207 added to adjusted gross income of a resident or nonresident individual if, as
annually
208 determined by the commission:
209 (a) for an entity described in Subsection (1)(e)(i) or (ii), the entity and all of
the
210 political subdivisions, agencies, or instrumentalities of the entity do not impose
a tax based on
211 income on any part of the bonds, notes, and other evidences of indebtedness
of this state; or
212 (b) for an entity described in Subsection (1)(e)(iii) or (iv), the following do
not impose
213 a tax based on income on any part of the bonds, notes, and other evidences of
indebtedness of

214 this state:
215 (i) the entity; or
216 (ii) (A) the state in which the entity is located; or
217 (B) the District of Columbia, if the entity is located within the District of
Columbia.
218 Section 4. Section **59-10-1002.2** is amended to read:
219 **59-10-1002.2. Apportionment of tax credits.**
220 (1) A nonresident individual or a part-year resident individual that claims a
tax credit
221 in accordance with Section [59-10-1017](#), [59-10-1018](#), [59-10-1019](#), [~~59-10-~~
~~1021,~~] [59-10-1022](#),
222 [59-10-1023](#), [59-10-1024](#), or [59-10-1028](#) may only claim an apportioned
amount of the tax
223 credit equal to:
224 (a) for a nonresident individual, the product of:
225 (i) the state income tax percentage for the nonresident individual; and
226 (ii) the amount of the tax credit that the nonresident individual would have
been
227 allowed to claim but for the apportionment requirements of this section; or
228 (b) for a part-year resident individual, the product of:
229 (i) the state income tax percentage for the part-year resident individual; and
230 (ii) the amount of the tax credit that the part-year resident individual would
have been

231 allowed to claim but for the apportionment requirements of this section.
232 (2) A nonresident estate or trust that claims a tax credit in accordance with
Section
233 [59-10-1017](#), [59-10-1020](#), [59-10-1022](#), [59-10-1024](#), or [59-10-1028](#) may only
claim an
234 apportioned amount of the tax credit equal to the product of:
235 (a) the state income tax percentage for the nonresident estate or trust; and
236 (b) the amount of the tax credit that the nonresident estate or trust would
have been
237 allowed to claim but for the apportionment requirements of this section.
238 Section 5. **Repealer.**
239 This bill repeals:
240 Section [59-10-1021](#), **Nonrefundable medical care savings account tax**
credit.
241 Section 6. **Effective date.**
242 This bill takes effect on January 1, 2017.

Legislative Review Note
Office of Legislative Research and General Counsel